

**RISK FINANCE SUBCOMMITTEE  
MEETING MINUTES  
Thursday, November 6, 2003**

**MEMBERS PRESENT**

Robin Campbell	Office of Financial Management
Carol Fleskes	Department of Ecology
Chris Freed	Department of Licensing
Kathy Gastreich	Department of Corrections
Chuck Greenough	State Board for Community and Technical Colleges
Bill Henselman	Department of Transportation
Carole Mathews	Department of Labor and Industries
Paul Mueller	Western Washington University
Diane Perry	Washington State Patrol
Jim Smego	Department of Natural Resources

**MEMBERS ABSENT**

Linda Dunn	Office of the Attorney General
Bernie Friedman	Department of Social and Health Services
Stewart Sawyer	Accordia Northwest, Inc.
Angela Terry	Willis of Seattle

**OFM STAFF PRESENT**

Nancy Heyen  
John Nicholson  
Betty Reed

**OTHERS PRESENT**

Gary Andrews	Department of Corrections
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**CALL TO ORDER/APPROVAL OF MINUTES**

Carole Mathews, Chair, called the meeting to order at 1:35 p.m.

**A motion was made and seconded to approve the meeting minutes from the July 16, 2003 Risk Finance Subcommittee meeting. The motion passed.**

**ALLOCATION FORMULA**

John Nicholson reviewed the steps the subcommittee has taken over the last several months to analyze the present allocation formula methodology in order to provide maximum equity for all agencies. The subcommittee started this process by brainstorming various issues and identifying specific areas to explore in depth. These areas were then forwarded to Martin Lewis and Stewart Sawyer for their analyses. Martin Lewis attended the July 16 meeting to discuss these areas and then prepared a letter (dated October 30, 2003) documenting the key elements of the proposed changes. Copies of this letter were provided at the meeting. The two recommendations are: (1) elimination of the \$1,000,000 limitation on individual claims and (2) inclusion of accident year and report year losses. The rationale behind the two recommendations is explained on page two of the October 30, 2003 letter.

Additional comments included the following:

- Consideration of FTEs was eliminated because they are generally fairly stable and not especially relevant to risk.
- The approved budget amounts for the 2005-07 Biennium are not known.
- As a means to determine if the proposed change is what the subcommittee was seeking, Martin Lewis applied the new methodology to the 2003-05 Biennium. An agency/board/commission listing illustrating this methodology was distributed. It was noted that most agencies would have a 30 percent reduction. Agencies such as DOT would experience a \$9 million positive shift, DSHS and DOC would pay an additional \$16.6 million, community colleges would benefit by \$700,000, and four-year universities would benefit by \$1.5 million.

It was announced that the RFP process to select a firm to provide actuarial services, effective January 1, 2004, was recently completed. Price Waterhouse and Coopers was the winning bidder; Kevin Wick will represent the firm. The firm is very experienced working with many other risk pools. Kevin Wick will be invited to the February Subcommittee meeting.

Kathy Gastreich expressed concern that all of the suggested options were not provided to the subcommittee for consideration. John Nicholson indicated that a summary of issues that were addressed would be provided to the subcommittee via e-mail.

**A motion was made and seconded to forward the recommended formula allocation changes to the RMAC at their December 4, 2003 meeting. The motion passed with one dissenting vote.**

#### **MINIMUM PREMIUM**

OFM recently provided independent boards and commissions an opportunity to decide whether they wished to be considered as a bonafide state agency. Robin Campbell noted that amounts of \$500 or less round to zero in the budget processing system. In order to accommodate the budgeting system and to provide a more reasonable amount, it was suggested that \$1,000 per year or \$2,000 per biennium be adopted as a minimum premium.

**A motion was made and seconded that a recommendation be forwarded to RMAC that the minimum premium be adjusted to \$2,000 per biennium for the self-insurance liability account, except for commodity commissions that can negotiate an adjusted amount with OFM.**

Concern was expressed that this amount was too large for some small entities and additionally does not provide recognition for no claims. The remainder of the subcommittee felt that there should be a minimal amount charged as an administrative cost.

**The motion passed with one dissenting vote.**

#### **AGO DEFENSE COST FORMULA**

John Nicholson asked for a preliminary discussion on the AGO defense cost formula. The methodology proposed to and approved by the RMAC by the Risk Finance Subcommittee in 1999 is as follows: *“Each agency’s share of the total defense cost will be based on a weighted average of that agency’s own historical defense cost experience and the historical paid defense cost experience of the entire state.”*

Additional discussion will occur at the February meeting. The new actuary will be asked to review the formula and present his thoughts at that meeting.

#### **2004 MEETING DATES**

A draft proposal of 2004 meeting dates was discussed. The subcommittee felt that the August date should be cancelled. July would be a better meeting time in order to meet budgetary deadlines. A meeting will most likely be needed in April to review the new actuary study. The next meeting will be held on Wednesday, February 11, 2004, from 1:30-3:30 p.m. The remaining dates for 2004 will be revised and presented at the next meeting.

#### **ADJOURNMENT**

The meeting adjourned at 3:05 p.m.